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Editor and Publisher, The Daily Star

In Bengali psyche, the concept of owning a house is very important. It is everyone's dream. But, due to various factors, such as land scarcity, high interest rates on home loans, high registration costs and a lack of government initiative, affordable housing remains a big challenge for the common people. The Daily Star would like to raise the issue of affordable housing. In today's roundtable, we would like to learn from you what needs to be done to realise the goal.



MD ABU SADEQUE

Executive Director, Centre for Housing and Building Research (HBRC), and moderator of the session

Almost 60 percent of our population is in the middle-income group. They can be the target group for affordable home schemes. The expenditure for housing should not be more than one-third a person's income. The stakeholders are the government, researchers, manufacturers and builders.

The government needs to work on pro-housing policies. Researchers can help reduce construction costs. If we can use research to add durability and sustainability to the building process, then the cost of building construction will decrease. Builders need to have good management and commitment.

Our main motto in providing housing facilities should be that it is firstly a service and secondly a business.

If we can ensure good governance in the financial sector the buyers' buying capacity will increase and they can afford quality housing.

Our construction technology must be agriculture friendly, environment friendly, disaster resilient, sustainable and affordable to the low-income people.

We should promote the use of alternative building technologies, which will reduce the use of building materials and thus cause less carbon emission and make our buildings sustainable.



FR KHAN

Managing Director, bti

We have to bring down the interest rate on home loans to single digits, preferably to 8-9 percent.

Recently, there has been a price hike in construction materials -- it now comprises 20 percent of the total cost. The government should take measures to stabilise the prices of raw materials.

Using concrete blocks instead of clay bricks the total costs comes down by 10 percent. We have to use concrete blocks for sustainability.

In the secondary housing market, the registration cost is still 15 percent, which makes the secondary housing market unaffordable.

We need to control urban migration. Otherwise, housing will never be affordable. We need to develop the communication system and establish basic facilities outside of urban areas.



DR ISHRAT ISLAM

Professor, Department of urban and regional planning, BUET

We are failing to do maximum utilisation of our land in urban areas. Slums, for example, take up 40 percent of the total land in the capital city, and the living condition in these areas is very poor.

If we can develop these areas in an efficient manner, we can accommodate more people and provide the existing slum-dwellers a healthy living facility.

Rajdhani Unnayan Karttripakkha (Rajuk) is doing housing projects in Purbachal. But they do not have any particular project for poor people's housing in that area.

Again, the detailed area plan does not have any particular plan for providing housing facilities for low-income people.

We also need to rethink the concept of owning a home. In Germany, there are more housing units under rentals than under ownership. We can think about developing rental housing in a planned way.



DR MD AKTER MAHMUD

Vice President, Bangladesh Institute of Planners

Every year 6 lakh people add to the population of Dhaka. So, there is a need for 125,000 housing units. But our developers, on average, provide 25,000 units per year. How can we meet this huge gap in housing demand?

We need to develop a business model so that the investors can get some profit from their investment. It cannot be made effective with the philanthropic model.

The recent structure plan of Rajuk recommends block-based housing development. This can be a good initiative as it includes diverse communities and housing facilities in reduced prices.

We need to regulate the price of land to bring down the rates. The government should set a bar regarding the price of lands based on location.



MOMINUL ISLAM

Managing Director & CEO IPDC Finance Ltd.

The middle and affluent consumer group (MAC) is around 12 million in Bangladesh. The disposable income for the MAC group is more than \$400 per month.

By 2025, the number of MAC population will be close to 25 million. But this huge population does not

have good housing facilities. They can be the potential target group for affordable housing schemes.

In Bangladesh, the mortgage-GDP ratio is very low, which is less than 2.5 percent.

Unfortunately, it is not increasing. It shows weaker growth in our home financing market. Even in India it is 10 percent.

In Bangladesh the price of flat is very high, which is almost 120 times the disposable income. But the global standard is 48-60 times of a person's disposable income.

In Mumbai, the flat price has been brought down from 120 times to 54 times through decentralisation and development of small unit private community housing projects.

If we can do the same in Mymensingh, Cumilla, Manikganj and Tangail, we will be able to provide a flat within Tk 25-40 lakh.

In Bangladesh affordable housing finance is almost non-existent. In India, the government provides tax break to boost affordable housing, which brings down the actual interest rate on home loans to 5-6 percent.

Therefore, even a driver or a small shopkeeper in India can afford a flat. We need to learn from these good examples.

We also need to formulate foreclosure law to develop our mortgage industry.



ARIF KHAN

CEO & MD, IDLC Finance

In Bangladesh, home financiers get money from depositors. But people deposit money for a very limited period. There is also no good source for long-term financing in Bangladesh.

Our bond market also has not developed strongly. Therefore, it is really difficult for the home financiers to provide long-term loan.

If a large area can be developed for a housing project, basic facilities like school, hospital, shopping mall can be accommodated there, which will significantly reduce the living cost as well as the cost of housing.

But it is really difficult in Bangladesh to get that because there is a huge mess in our land recording system.

The World Bank took an initiative to digitise land records but somehow, those did not see the light.

If we can digitise land records it will significantly ease the land-related problems and home financiers will be able to provide loans in an efficient manner.



SYED MAHBUBUR RAHMAN

Chairman, ABB, and CEO & MD, Dhaka Bank

It has been projected that by 2021 we will need almost 8.5 million housing units in Dhaka city. Dhaka does not have that capacity to accommodate this growing population. Therefore, we have to go up vertically now.

We need to decentralise. If the commuting time

between Dhaka and other cities can be reduced, people will be more convinced about decentralisation.

We need to think if we can compromise on floor area ratio (FAR) regarding small and affordable housing. For instance, we can exclude dedicated car parking.

Also, the plans for affordable housing and normal housing should not be similar.

Institutions such as the World Bank and the International Finance Corporation are interested to give us loans. We should take those accordingly to help solve our financing crisis.



KHAWAJA SHAHRIAR

MD, LankaBangla Finance

We need to focus more on first-time buyers because for them buying a house is kind of an investment.

If a person avail home financing at the age of 25 and the loan tenure is of 30 years by the age of 55 he/she will be able to repay the money and enjoy the housing facility for a considerable period of time.

Long-term loans will encourage people to own homes at a young age. There is also a trade-off between the tenure of loans and instalment rate.

In rural areas housing-related regulations are not very clear. Therefore, it becomes quite risky for financial institutions to finance any housing projects in rural areas.



RAHEL AHMED

CEO & MD, Prime Bank

Our communication structure is developing but it needs to be developed rapidly.

Unfortunately, commercial banks are accused of everything in Bangladesh, but we also need to scrutinise why the Bangladesh House Building Finance Corporation has been defunct in playing a critical role in the housing ecosystem.

As a financial institution, we need long-term refinancing and liquidity support.

We also need to digitise our banking system to disburse loans in an efficient manner.

We also need to identify a niche market. No policy has been made from the government or regulatory board on such issues.



SELIM RF HUSSAIN

CEO & MD, BRAC Bank

There is no integrated approach from the government to address the issue of affordable housing. Without any such integrated policy, we cannot create coordination among the stakeholders.

The National Housing Authority should also formulate

a long-term strategy in this regard. If government take an initiative to establish 100 affordable housing zones like economic zones it will definitely boost affordable housing in Bangladesh.

We need to develop a commercially viable model for making housing affordable.

A specialised home financing company needs to be established, which can support mortgage and house financing.

We need to roll out long-term bonds. Today, people do not invest in the bond market because they do not get any tax benefit. NBR should look into this issue seriously.



TANVEERUL HAQUE PROBAL

Managing Director, Building for Future and Former President, REHAB

During fiscal 2006-07, the Bangladesh Bank allocated Tk 300 crore for home financing. In the next years, it increased to Tk 500 crore. Suddenly in 2009 the Bangladesh Bank declared housing an unproductive sector and stopped the home financing scheme.

I do not understand their logic behind such abrupt decision. The housing sector is directly related with more than a hundred other sectors such as steel, cement, paint and so on.

Any incentive in housing sector will have multiplier effect on the whole economy. I think the Bangladesh Bank should reconsider their decision and relaunch the home financing scheme.



HOSNEARA PARVIN

General Manager, Business Development, Sheltech

The government should go for public-private partnership with private developers to make housing affordable. In such venture, the government will provide land and the private will do the rest.

A specialised bank, that is a real estate bank, should be set up to provide long-term house loan with low interest rate. An especially reduced interest (3-5 percent) can be introduced for the first-time buyer only.



REJBEEN AHSAN

GM, Bproperty

The private sector stakeholders related to the whole housing issue should come to a platform and share their resources to make housing affordable in Bangladesh. We also need to emphasise on decentralisation and development of satellite cities.

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